

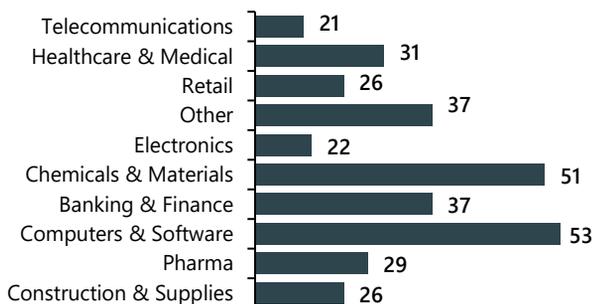
The Shot Clock is Expiring: For years, lenders helped troubled companies extend the game – resetting possessions with amendments, PIK structures, maturity expansions, and liability management exercises. Now, with stress surfacing across sectors, many borrowers find themselves out of timeouts. In a market where pressure is building and options are narrowing, having the right advisor on your bench can make all the difference late in the game.

- **No Perfect Bracket Exists:** Distressed situations in early 2026 were led by software companies, followed by materials, healthcare, retail, construction, and finance; few sectors have been immune to this full-court press.
- **The Dream of Making the Final Four is Still Alive:** Despite ominous headlines and loan balances marked as “non-accrual” by BDCs on the rise, actual credit performance has not meaningfully deteriorated.



Pressure On the Ball but the Lead is Intact

Distressed Situations by Industry (Jan-Feb 2026)



BDC Non-Accrual Rates By Industry

% of Total Cost	Q1 '25	Q2 '25	Q3 '25	Q4 '25*
Telecommunications	2.7%	3.8%	4.4%	6.5%
Healthcare & Medical	1.4%	1.6%	1.2%	3.6%
Retail	3.1%	2.7%	2.9%	3.3%
Other	0.7%	1.4%	0.9%	2.2%
Electronics	1.9%	1.2%	0.8%	2.2%
Chemicals & Materials	1.5%	0.6%	1.8%	1.7%
Banking & Finance	0.5%	0.9%	1.1%	1.2%
Computer & Software	0.8%	0.5%	0.6%	0.8%
Pharma	0.1%	0.6%	0.1%	0.4%
Construction & Supplies	0.3%	2.7%	0.6%	0.3%

*Note that not all funds have reported Q4 2025 updates.

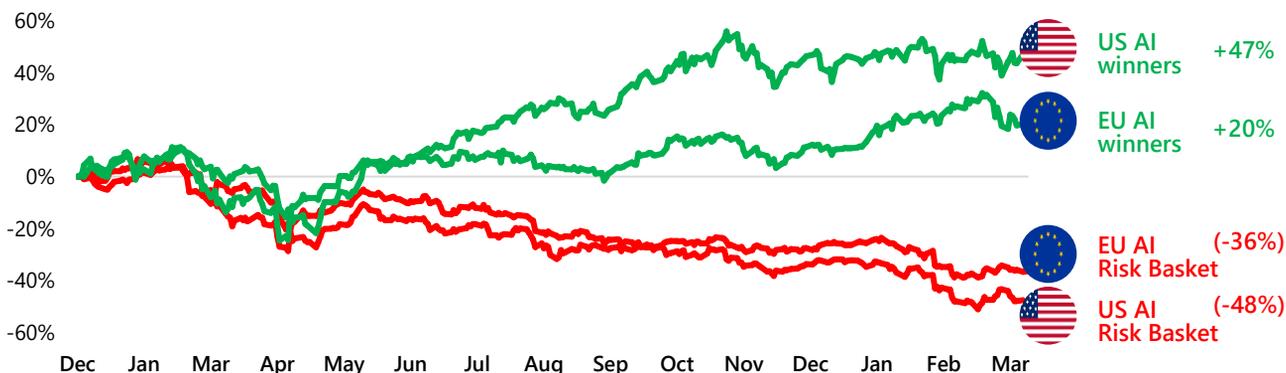
Source: BankruptcyData (NGR), SEC Filings



Key Insights from Our Colleagues at MUFG

“The impact of AI varies by sector with media and software companies viewed as businesses most likely to be affected by AI disruption. The trend has broadened in 2026 with financial, professional services and logistics companies impacted negatively as well.”

U.S. & EU AI Winners vs. Risk Basket, since January 2025



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